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**FISCAL IMPACT STATEMENT**

**LS 6282**

**BILL NUMBER:** SB 112

**NOTE PREPARED:** Dec 2, 2003

**BILL AMENDED:**

**SUBJECT:** Property Tax Liens in Tax Allocation Areas.

**FIRST AUTHOR:** Sen. Dillon

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** This bill provides that the payment obligations of a taxpayer that: (1) is located in a property tax allocation area established by a redevelopment commission; and (2) enters into an agreement after June 30, 2004, with the redevelopment commission that protects the bond or lease obligations of the commission; are enforceable in the same manner as property taxes regardless of whether the agreement provides for a property tax lien. (For agreements made before July 1, 2004, existing law provides that the obligations are enforceable in the same manner as property taxes if the agreement provides for a property tax lien.)

For agreements providing for a lien, the bill specifies that the lien attaches: (1) to the property; and (2) on the date; specified in the agreement. For agreements not providing for a lien but to which a lien applies under the new provisions, the bill provides that the lien attaches: (1) to the taxpayer's real property in the allocation area; (2) to depreciable personal property in the area if taxes on such property are included in the taxes allocated in the area; and (3) on the date the agreement was executed.

The bill specifies that a lien attaches without further action by the commission. It provides that a lien that attaches as a result of an agreement with the commission: (1) inures to the benefit of the commission and the taxing units comprising the allocation area; and (2) is superior to all other liens except a first mortgage on real property.

**Effective Date:** July 1, 2004.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Under current law, a redevelopment commission may enter into an agreement with a taxpayer in a TIF area that guarantees or secures the commission's debt obligations. If the agreement provides for a property tax lien, the lien attaches to the taxpayer's real property on the assessment date.

Under the proposal, for agreements entered into beginning on July 1, 2004, a lien would attach to the taxpayer's property whether or not the agreement provides for a lien. If the agreement provides for a lien, it will attach as specified in the agreement. If the agreement does not specifically provide for a lien, a lien will attach to both the taxpayer's real and business personal property (if the personal property was tiffed) within the TIF area on the date of the agreement. No further action would be required of the redevelopment commission to attach the lien unless specified in the agreement.

Additionally, for agreements entered into before July 1, 2004, if the agreement provides for a lien but does not specify the property to which it attaches or the date on which it attaches, the lien would attach to both real and business personal property (if the personal property was tiffed) on the date of the agreement.

The bill would clarify the property to which a lien attaches and the date on which it attaches. It would also ensure that a lien would attach to the taxpayer's property if an agreement to secure a redevelopment commission's debt is entered into, even if lien language is omitted from the agreement. Property tax liens are for taxes, penalties, and costs and continue for 10 years from the original due date. These liens would be superior to all other liens, except for 1<sup>st</sup> mortgages on real property. A property tax lien could provide a redevelopment commission with more leverage to collect taxes that are due from a delinquent taxpayer within a TIF district.

**State Agencies Affected:**

**Local Agencies Affected:** Local redevelopment commissions.

**Information Sources:**

**Fiscal Analyst:** Bob Sigalow, 317-232-9859.